

PROVIDING FOR THE CONSIDERATION OF H.R. 3

APRIL 27, 1987.—Referred to the House Calendar and ordered to be printed

Mr. PEPPER, from the Committee on Rules,
submitted the following

REPORT

[To accompany H. Res. 151]

The Committee on Rules, having had under consideration House Resolution 151, by nonrecord vote, report the same to the House with the recommendation that the resolution do pass.

SECTION 1

Page 18, line 3, strike out “or any Committee of the Congress,” and insert “any Committee of the Congress, or the Comptroller General,”.

Page 18, line 5, strike out “paragraph (2)” and insert “this subsection”.

Page 18, line 6, strike out “provisions of law, including” and insert “provisions of Federal statutes and”

Page 18, line 7, strike out “or” and insert “and”.

Page 229, lines 11 and 12, strike out “subsection (b) is amended by striking out ‘threefold’” and inserting in lieu thereof “recovery shall be limited to the actual damages sustained and the cost of the suit, including a reasonable attorney’s fee”.

Page 336, after line 13, insert the following:

SEC. 320. FOOD AID AND MARKET DEVELOPMENT.

(a) **POLICY STATEMENT.**—It is the policy of the United States to use food aid and agriculturally-related foreign economic assistance programs more effectively to develop markets for United States agricultural commodities and products.

(b) **REQUIREMENTS.**—The President (or, as appropriate, the Secretary of Agriculture) shall encourage the recipient country under food assistance agreements entered into under any program administered by the Secretary to agree

to give preference to United States food and food products in its future food purchases.

Redesignate succeeding sections accordingly.

Page 340, line 8, insert “, including exports by small businesses” after “country”.

Page 676, strike out line 1 and all that follows through line 21.

Page 710, line 16, insert “, acting” after “Representative”.

Page 749, line 20, insert “and the Secretary of the Treasury” before the comma, and in line 8 on page 750, strike out “shall” and insert in lieu thereof “and the Secretary of the Treasury shall each”.

Page 840, strike out lines 19 through 21 and insert in lieu thereof the following: “submit to the Congress”.

Page 842, beginning on line 14, strike out “The Secretary” and all that follows through “year.” on line 17, and insert in lieu thereof the following:

In addition to the annual report on offsets and counter-trade required to be submitted to the Congress by the President under section 309 of the Defense Production Act of 1950, the Secretary shall make an annual public report to the Congress by the time provided in such section 309 for reports under such section.

Page 857, beginning on line 20, strike out “or supplied” and insert “or supplies”.

Page 858, line 17, strike out “PRACTICES”.

Page 858, insert after line 17 the following:

“Subtitle A—Ocean Transportation Practices”

Beginning in line 19 on page 858 through line 22 on page 866, strike out “title” each place it appears and insert in lieu thereof “subtitle”.

Page 859, line 13, strike out the period and insert in lieu thereof a semicolon.

Page 859, line 21, strike “that affect” and insert “directly affect the ability of operators to engage in”.

Page 860, line 7, after “transported” insert “by common carrier”.

Page 866, line 16, strike out “(B)” and insert in lieu thereof “(b)”.

Page 866, insert the following after line 22:

Subtitle B—Mobile Trade Fairs

SEC. 1110. MOBILE TRADE FAIRS REAUTHORIZATION.

Section 212(B) of the Merchant Marine Act, 1936 (46 U.S.C. App. 1122b) is amended—

(1) by striking out “Secretary of Commerce” each place it appears and inserting in lieu thereof “Secretary of Transportation”, and

(2) in the first sentence of subsection (c), by striking out all after “beginning” and inserting in lieu thereof “October 1, 1987.”.

SECTION 2

The following are the amendments made in order under House Resolution 151, to be offered by the member specified, or the member's designee. The amendments are debatable for the time specified, to be equally divided and controlled by the proponent of the amendment and a member opposed thereto.

1. *An amendment to be offered by Representative Kaptur of Ohio or her designee, debatable for not to exceed 30 minutes*

Page 28, line 19, strike out "and".

Page 28, between lines 19 and 20 insert the following:

(3) international agreement regarding the principle that nondiscriminatory treatment (most-favored-nation treatment) and other multilateral trade benefits are not required to be extended by a country to any other country unless such other such other country permits reciprocal market access opportunities for foreign goods and services, and applies to foreign products, services, and business operations within its territory the same standards that are applied to domestic products, services, and operations; and

2. *An amendment to be offered by Representative Pepper of Florida or his designee, debatable for not to exceed 30 minutes*

On page 278, after line 23, add the following section:

SEC. 199. The USTR shall request that all relevant agencies prepare appropriate recommendations for improving the enforcement of restrictions on importation of articles from Cuba. Such recommendations should include, but not be limited to, appropriate measure to present indirect shipments or other means of circumvention. USTR shall, after considering such recommendations, report to the Congress, within 90 days after enactment, on any administrative measures or proposed legislation which it considers necessary and appropriate to enforce restrictions on imports from Cuba.

3. *An Amendment to be offered by Representative Gephardt of Missouri or his designee, debatable for not to exceed 90 minutes*

Page 97, strike out line 3 and all that follows thereafter down through line 25 on page 110 and insert the following:

SEC. 126. MANDATORY NEGOTIATIONS AND ACTION REGARDING FOREIGN COUNTRIES HAVING EXCESSIVE AND UNWARRANTED TRADE SURPLUSES WITH THE UNITED STATES.

(a) IN GENERAL.—Chapter 1 of title III of the Trade Act of 1974 is amended by adding at the end thereof the following:

“Subchapter B—Special Provisions Regarding Trade Deficits

“SEC. 311. MANDATORY NEGOTIATIONS AND ACTION REGARDING FOREIGN COUNTRIES HAVING EXCESSIVE AND UNWARRANTED TRADE SURPLUSES.

“(a) DETERMINATION OF EXCESSIVE TRADE SURPLUS COUNTRIES.—

“(1) DETERMINATIONS.—The United States International Trade Commission (hereinafter in this section referred to as the ‘Commission’), on the basis of the best available trade data, shall—

“(A) determine whether each major exporting country is an excessive trade surplus country for each of the years 1986 through 1991, inclusive; and

“(B) determine if the percentage obtained by dividing—

“(i) the deficit of the United States, if any, in the merchandise balance of trade between the United States and the rest of the world during each of such years, by

“(ii) the gross national product of the United States for such year,

is 1.5 percent or greater.

“(2) REPORTS.—The Commission shall make the determinations required under paragraph (1), and prepare and submit to the Trade Representative a report thereon, by April 1 of the year after the year with respect to which the determinations apply; except that the determinations for 1986 must be made, and the report submitted, by November 15, 1987.

“(3) PUBLICATION IN FEDERAL REGISTER.—Each report submitted to the Trade Representative under paragraph (2) shall be published in the Federal Register.

“(4) SUSPENSION OF APPLICATION OF SECTION.—For any year for which the Commission reports that the percentage referred to in paragraph (1)(B) is less than 1.5 percent—

“(A) no determinations are required under subsection (b)(1) for that year; and

“(B) no action may be taken under subsection (e) during the year in which such report is made.

“(b) DESIGNATION OF EXCESSIVE AND UNWARRANTED TRADE SURPLUS COUNTRIES.—

“(1) DETERMINATIONS.—The Trade Representative shall, during the 15-day period beginning on the day after the day on which a report is submitted under subsection (a)(2), determine whether each major exporting country identified as an excessive trade surplus country in the report maintained, during the year to which the report applies, a pattern of unjustifiable, unreasonable, or discriminatory trade acts, policies, or practices that have a significant adverse effect on

United States commerce and contribute to the excessive trade surplus of that country.

"(2) **FACTORS.**—In making determinations under paragraph (1), the Trade Representative shall take into account—

"(A) the report prepared, and information submitted, under section 181;

"(B) the recommendations, if any, for action made under section 304 with respect to that country;

"(C) countervailing duty and antidumping duty actions taken under section 303 and title VII of the Tariff Act of 1930 with respect to merchandise of that country;

"(D) adverse determinations under the GATT relating to that country; and

"(E) any other relevant information pertaining to the trade practices or policies of that country, including, but not limited to, the existence of discriminatory government procurement, excessive government regulation designed to discriminate against imported products, governmental tolerance of extensive dumping in foreign markets, export subsidy and targeting policies, excessive tariff barriers, and any other unfair trade barrier.

"(3) **DESIGNATION.**—If not designated as an excessive and unwarranted trade surplus country for the preceding year, a major exporting country with respect to which affirmative determinations are made under subsection (a)(1) and paragraph (1) for the same year shall, on the last day of the 15-day period referred to in paragraph (1), be designated as an excessive and unwarranted trade surplus country for such same year and such designation shall remain in effect until terminated.

"(4) **TERMINATION OF DESIGNATIONS.**—The designation of a major exporting country as an excessive and unwarranted trade surplus country shall terminate if a negative determination is made by the Commission under subsection (a)(1) with respect to any year, or by the Trade Representative under paragraph (1) with respect to any year. The termination shall apply for the year after the year to which the determination applies and shall continue in effect until affirmative determinations, if any, regarding that country are made under subsection (a)(1) and paragraph (1) with respect to the same year.

"(5) **LIST.**—The Trade Representative shall publish in the Federal Register, by the 10th day after the last day of the 15-day period referred to in paragraph (1), a list of all major exporting countries the designations of which as excessive and unwarranted trade surplus countries have not been terminated.

"(c) **NEGOTIATIONS.**—

"(1) **IN GENERAL.**—During the 180-day period after the 15-day period referred to in subsection (b)(1), the Trade Representative shall enter into negotiations with each foreign country that was designated under subsection (b)(3) for the first time as an excessive and unwarranted trade surplus country on the last day of such 15-day period for the purpose of entering into a bilateral trading arrangement providing for—

"(A) the elimination of the unjustifiable, unreasonable, or discriminatory acts, policies, and practices of the foreign country that were determined under subsection (b)(1); or

"(B) the elimination of the significant adverse effect which such acts, policies, and practices have on United States commerce.

"(2) **QUANTITATIVE ANALYSIS.**—Not later than the 90th day after negotiations are commenced under paragraph (1), the Trade Representative shall estimate the commercial value of each act, policy, or practice determined under subsection (b)(1). Such estimates shall be made after—

"(A) providing opportunity for public comment (including a public hearing, if requested) regarding the commercial value of the acts, policies, and practices concerned and taking into account any such comment;

"(B) taking into account the report prepared, and information submitted, under section 181; and

"(C) consultation with the Committee on Ways and Means and the Committee on Finance.

A report containing such estimates shall be promptly submitted to the Committees referred to in subparagraph (C).

"(3) **FACTORS.**—In deciding whether the terms of an arrangement will achieve the result specified in subparagraph (A) or (B) of paragraph (1) with respect to any act, policy, or practice of the foreign country, the Trade Representative must be satisfied that the terms will allow United States firms to improve their trade with that country by an amount equal to the commercial value determined under paragraph (2) of the act, policy, or practice.

"(d) **INITIAL ACTION BY THE UNITED STATES TRADE REPRESENTATIVE.**—

"(1) **IN GENERAL.**—If the Trade Representative is unable to enter into a bilateral arrangement under subsection (c) with an excessive and unwarranted trade surplus country to achieve the objectives set forth in paragraph (1) of that subsection, the Trade Representative, subject to the specific direction, if any, of the President, shall, on a timely basis after the close of the 180-day negotiating period, take any of the actions specified in paragraph (2) that he considers appropriate with regard to each unjustifiable, unreason-

able, or discriminatory act, policy, or practice of the country that was determined under subsection (b)(1) or became apparent during the negotiating period. Any action taken under this subsection shall be devised so as to affect goods and services of such country in an amount that is equivalent to the commercial value determined under subsection (c)(2) of the act, policy, or practice.

“(2) TYPE OF ACTIONS.—The actions which the President may take under paragraph (1) are as follows:

“(A) Suspend, withdraw, or prevent the application of benefits of trade agreement concessions to carry out any trade agreement with the excessive and unwarranted trade surplus country.

“(B) Direct customs officers to assess duties or impose other import restrictions on the products of that country for such time, in such an amount, and to such a degree as the President determines appropriate.

“(C) Take administrative action, and if necessary, propose legislation, to implement any other government action which would achieve the purposes of subsection (c)(1).

“(e) SURPLUS REDUCTION REQUIREMENTS FOR UNWARRANTED TRADE SURPLUS COUNTRIES.—

“(1) IN GENERAL.—Except as provided in paragraph (2) and subject to subsection (f), the following surplus reduction requirement applies to a foreign country for each year after the initial action year and before January 1, 1993, and the Trade Representative shall take such action under subsection (d)(2) as is necessary to achieve such requirement:

“(A) The bilateral trade surplus of the foreign country for the year after the initial action year may not exceed 90 percent of the bilateral trade surplus of that country for the year for which that country was first designated as an excessive and unwarranted trade surplus country under subsection (b)(3).

“(B) The bilateral trade surplus of the foreign country for any year occurring after the year to which subparagraph (A) applies may not exceed 90 percent of the bilateral trade surplus of that country for the preceding year that would have occurred if the surplus reduction requirement for the preceding year had been met.

“(2) INAPPLICATION OF SURPLUS REDUCTION REQUIREMENTS.—The surplus reduction requirement under paragraph (1) for any year shall not apply to a foreign country if that country is not designated as an excessive and unwarranted trade surplus country for that year; but the application of this paragraph with respect to any foreign country for any year shall be dis-

regarded in determining the surplus reduction requirement for that country for any succeeding year.

“(f) MODIFICATION AND TERMINATION OF ACTIONS AND REDUCTION AND WAIVER OF SURPLUS REDUCTION REQUIREMENTS.—

“(1) IN GENERAL.—Subject to paragraph (2), the President may—

“(A) modify or terminate any action taken under subsection (d)(1); and

“(B) reduce or waive the surplus reduction requirement under subsection (e);
for any excessive and unwarranted trade surplus country for any year if the President—

“(i) considers that—

“(I) because of balance of payment difficulties (including debt repayments), the country cannot meet the requirement for that year without suffering significant economic harm;
or

“(II) continuation of such action or implementation of the surplus reduction requirement would cause substantial harm to the national economic interest of the United States;
and

“(ii) develops a plan of action for otherwise achieving the fundamental purposes of this section.

“(2) CONDITIONS AFFECTING MODIFICATIONS, TERMINATIONS, REDUCTIONS, AND WAIVERS.—

“(A) CONGRESSIONAL NOTIFICATION.—No modification, termination, reduction, or waiver under paragraph (1) for any year with respect to any excessive and unwarranted trade surplus country shall have force and effect unless the President submits to the Congress no later than the 5th day after the day on which he decides to make the modification or termination or grant the reduction or waiver, and before October 1 of the year in which the action or surplus reduction requirement applies, a document stating his intention to implement such a modification, termination, reduction, or waiver and containing the plan of action required under such paragraph for achieving the fundamental purposes of this section.

“(B) CONGRESSIONAL DISAPPROVAL.—No modification, termination, reduction, or waiver under paragraph (1) for any year with respect to any excessive and unwarranted trade surplus country shall have force and effect if a joint resolution described in section 152(a)(1)(C) is enacted within the 60-day period beginning on the date on which the document referred to in subparagraph (A) regarding the modification, termination, reduction, or waiver is submitted to Congress.

“(g) CURRENCY MANIPULATION.—

“(1) IN GENERAL.—The Secretary of the Treasury shall determine if any foreign country that is designated as an excessive and unwarranted trade surplus country is maintaining its currency at an artificially low level that does not reflect the country’s competitive strength in international trade.

“(2) NEGOTIATIONS.—The Secretary of the Treasury shall initiate negotiations with the government of each foreign country with respect to which an affirmative determination is made under paragraph (1) for the purpose of entering into an agreement under which realistic realignments of that country’s currency will be ensured.

“(3) ACTION IF NEGOTIATIONS UNSUCCESSFUL.—If the government of a foreign country refuses to negotiate, or to negotiate in good faith, regarding an agreement described in paragraph (2), the Secretary of the Treasury may impose an exchange rate equalization tariff on the products of such country that are imported into the United States.

“(h) ROUNDING OF TRADE STATISTICS.—For purposes of this section, any trade statistic or limitation shall—

“(1) be rounded off to the nearest \$100,000,000; and

“(2) be adjusted to reflect the fact that certain products of the United States may not, under law, be exported.

“(i) ADMINISTRATION.—

“(1) IN GENERAL.—The President shall apply the actions taken under subsection (e) on such intra-annual bases as the President considers appropriate to achieve the purposes of this section.

“(2) MONITORING.—The Secretary of the Treasury and the Commission shall undertake such intra-annual monitoring and analysis of the imports to the United States of products of, and United States exports to, excessive and unwarranted trade surplus countries with respect to which trade arrangements entered into under subsection (c) and actions under subsections (d) and (e) are in force as may be necessary for purposes of evaluating the efficacy of the actions. The results of all such monitoring and analysis shall be immediately submitted to the President, the Trade Representative, the Committee on Ways and Means and the Committee on Finance.

“(3) CPI ADJUSTMENT.—For each year after 1986, the Trade Representative shall adjust the dollar limitation set forth in subsection (i)(2) and (5) to reflect the percentage increase or decrease in the Consumer Price Index, published by the Bureau of Labor Statistics of the Department of Labor, for the preceding year.

“(j) DEFINITIONS.—For purposes of this section—

“(1) The term ‘excessive trade surplus country’ means any major exporting country which has—

"(A) a bilateral export percentage for the year that exceeds 175 percent;

"(B) a bilateral trade surplus for the year; and

"(C) a current account surplus for the year.

"(2) A foreign country is a major exporting country for a year if the aggregate value of the merchandise trade between such foreign country and the United States during such year is more than \$7,000,000,000.

"(3) The term 'foreign country' includes any instrumentality of a foreign country.

"(4) The term 'bilateral export percentage' means, with respect to any foreign country for any year, the percentage determined by dividing—

"(A) the aggregate value of nonpetroleum products of such country exported to the United States during such year; by

"(B) the aggregate value of nonpetroleum products of the United States imported into such country during such year.

"(5) The term 'bilateral trade surplus' means, with respect to any foreign country for any year, an excess of—

"(A) the aggregate value of nonpetroleum products of such country exported to the United States during such year; over

"(B) the aggregate value of nonpetroleum products of the United States imported into such country during such year;

if such excess is at least \$3,000,000,000.

"(6) The term 'initial action year' means, with respect to any foreign country, the year in which the 180-day negotiating period with that country under subsection (c)(1) ends.

"(7) The term 'nonpetroleum product' means any merchandise other than merchandise classified to division 33 of the Standard International Trade Classification (revision II) published by the United Nations.

"(8) The term 'value' means—

"(A) with respect to merchandise imported into the United States, the customs valuation under the Tariff Act of 1930 of those imports, plus all freight, insurance, and other charges incurred regarding the importation (excluding United States tariffs and import excise taxes), and

"(B) with respect to merchandise imported into a foreign country, the transaction prices of such imports plus the freight, insurance, and other charges determined by the Secretary of the Treasury that are incurred in placing the exports alongside the carriers at the United States ports of export.

"(9) The term 'entered' means entered, or withdrawn from warehouse, for consumption in the customs territory of the United States.

"(10) The term 'entry' includes any withdrawal from warehouse.

"(11) The term 'best trade data available' means—

"(A) with regard to data on the international trade of the United States, official trade information, including the estimates required under section 181, of the United States Government, and

"(B) with regard to data on the international trade of any other country, data that the Commission determines is the most reliable data available for the period under consideration, and may include estimates if the actual data required by this section, or the forms of the data required by this section, are not directly available.

"(12) Any article that is grown, produced, or manufactured in a country is a product of such country.

"(13) Any reference to a year in this section shall be treated as a reference to a calendar year."

(b) CONFORMING AMENDMENTS.—

(1) "FAST TRACK" PROVISION.—Section 152(a)(1) of the Trade Act of 1974 (19 U.S.C. 2192(a)(1)) is amended—

(A) by striking out "and" at the end of subparagraph (A);

(B) by striking out the period at the end of subparagraph (B) and inserting "; and "; and

(C) by adding after subparagraph (B) the following:

"(C) a joint resolution of the two Houses of Congress, the matter after the resolving clause of which is as follows: 'That the Congress does not approve the modification, termination, reduction, or waiver (under section 311 of the Trade Act of 1974) described in the document transmitted to Congress on .', the blank space being filled with the appropriate date."

(2) 181 REPORT.—Section 181(a)(1) of the Trade Act of 1974 (19 U.S.C. 2241(a)(1)) (as amended by section 183) is amended—

(A) by amending that part of subparagraph (A) that precedes clause (i) to read as follows:

"(A) identify and analyze each act, policy, or practice that constitutes a barrier to, or distortion of—"; and

(B) by inserting "quantitative" before "estimate" in subparagraph (C).

4. An amendment to be offered by Representative Young of Alaska, debatable for not to exceed 40 minutes

In Title III, Subtitle B, Section 331 of H.R. 3 as reported by the Committee on Foreign Affairs, delete section 331 beginning on page 356 (beginning on line 11) through page 359 (ending on line 4).

5. *An amendment to be offered by Representative Wylie of Ohio or his designee, debatable for not to exceed 60 minutes*

Page 416, strike out line 10 and all that follows through page 500, line 21 and insert in lieu thereof the following:

TITLE IV—INTERNATIONAL FINANCIAL AND TRADE POLICY

Subtitle A—Competitive Exchange Rate Act of 1987

SEC. 401. SHORT TITLE.

This subtitle may be cited as the “Competitive Exchange Rate Act of 1987”.

SEC. 402. FINDINGS AND PURPOSES.

(a) FINDINGS.—The Congress hereby finds that—

(1) an important factor contributing to our current trade deficit has been the strength of the United States dollar prior to the spring of 1985;

(2) since March of 1985 the dollar has been declining, in part as a result of United States and other key currency countries’ expressed determination to ensure a set of exchange rates more consistent with balance in our international accounts;

(3) a sudden further drop in the exchange value of the dollar, however, could reignite inflation and higher interest rates;

(4) a relatively stable exchange rate for the dollar at competitive levels is desirable and should be encouraged by market-compatible policies;

(5) coordinated central bank intervention which is reinforced by appropriate domestic economic policies can, under certain conditions, shift exchange rates in desired directions;

(6) as a result of the decline of the dollar the real (inflation-adjusted) trade deficit of the United States has begun to diminish significantly;

(7) the stabilization of the value of the dollar at a level consistent with a balance in the international accounts of the United States, however, requires that—

(A) the Federal budget deficit is reduced, and

(B) the macroeconomic policies of the major industrialized countries be coordinated,

(8) under appropriate circumstances, it would be useful to supplement the efforts described in paragraph (7) with appropriate strategic intervention by the United States in foreign exchange markets as part of a coordinated international strategic intervention effort involving the other major industrialized countries;

(9) the Secretary of the Treasury and the Board of Governors of the Federal Reserve System should, when appropriate—

(A) cooperate with the other major industrialized countries in the international currency markets; and

(B) use appropriate strategic intervention to the extent required to achieve exchange rate stability and maintain the dollar at a level that reflects international competitive relationships;

(10) the Secretary of the Treasury has major responsibility within the executive branch for—

(A) formulating domestic economic policy;

(B) representing the United States in international economic negotiations regarding exchange rates and coordination of domestic economic policies; and

(C) intervening on behalf of the United States in currency markets;

(11) developments such as the September 22, 1985, meeting of the United States, Japan, West Germany, France, and the United Kingdom (commonly known as the Group of Five) and the February 1987, meeting of major industrialized countries, including Canada and Italy, are promising examples of the viability of international negotiations and coordination in regard to exchange rate issues and should be encouraged.

(b) **PURPOSES.**—The purposes of this subtitle are—

(1) to encourage the President to seek to confer and negotiate with other countries to obtain—

(A) better coordination of macroeconomic policies; and

(B) greater stability in trade and current account balances and in the exchange rates of the dollar and other currencies; and

(2) to encourage internationally coordinated strategic intervention in currency markets, when appropriate, in order to influence the exchange rates of the dollar and other currencies so as to ensure that American industry has a fair competitive opportunity in world markets.

SEC. 403. INTERNATIONAL NEGOTIATIONS ON EXCHANGE RATE REFORM.

(a) **POLICY.**—A priority of the United States in international economic negotiations shall be the achievement of an exchange rate for the dollar that is both stable and that affords United States industries a fair competitive opportunity in world markets.

(b) **INTERNATIONAL NEGOTIATIONS ON EXCHANGE RATES.**—The President shall seek to confer and negotiate with other countries on the exchange rate system, either through a newly created mechanism or an existing mecha-

nism such as the International Monetary Fund or the Organization for Economic Cooperation and Development—

(1) to review the functioning of the existing international exchange rate system;

(2) to develop a program for modification of that system to provide for long-term exchange rate stability and an agenda for implementing such program; and

(3) to recommend proposals to achieve—

(A) better coordination of macroeconomic policies of the major industrialized nations; and

(B) greater stability in trade and current account balances and in the exchange rates of the dollar and other currencies.

(c) **BILATERAL NEGOTIATIONS.**—When the Secretary determines that a major trade competitor, either member or nonmember of the International Monetary Fund, is pursuing economic policies that are inconsistent with obligations of member countries under article IV of the IMF Articles of Agreement, in order to avoid balance of payments adjustment or to gain an unfair competitive advantage, the President shall take appropriate action to initiate discussions with that competitor in the IMF or bilaterally on appropriate economic and exchange rate policies so that the rate of exchange between its currency and the United States dollar more fully reflects underlying economic fundamentals including competitive relationships.

SEC. 404. CURRENCY INTERVENTION.

Section 5302 of title 31 of the United States Code is hereby amended by redesignating subsections (c) and (d) as subsections (d) and (e), and by inserting after subsection (b) the following:

“(c) Consistent with the obligations of the Government in the International Monetary Fund on orderly exchange rates, the Secretary or an agency designated by the Secretary, with the approval of the President, shall, as appropriate, purchase and sell foreign currencies at such time and in such amounts as the Secretary considers necessary to deal with excessive exchange market volatility that threatens to disrupt the United States economy, including the international competitiveness of the United States, or to promote the smooth functioning of the international monetary system. Purchases and sales under this subsection shall be coordinated with other countries to the extent possible. Nothing in this subsection shall be deemed to alter or abrogate from the President’s or the Secretary’s authority under any other provision of this section.”.

SEC. 405. REPORTING REQUIREMENTS.

(a) **REPORTS REQUIRED.**—In furtherance of the purposes of this subtitle, the Secretary, after consultation with the Chairman of the Board, shall submit to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate, within 30 days of the enact-

ment of this subtitle and on September 20 of each year thereafter, independent written reports.

(b) **CONTENTS OF REPORT.**—Each report submitted under subsection (a) shall contain—

(1) an assessment of exchange rate market developments and the relationship between the United States dollar and the currencies of our major trade competitors;

(2) an evaluation of the conditions responsible for the existing conditions in the exchange rate market;

(3) an assessment of the impact of the exchange rate of the United States dollar on—

(A) the ability of the United States to maintain a sustainable balance in its current account and merchandise trade account;

(B) production, employment, and the international competitive performance of United States manufacturing, agricultural, and mining industries; and

(C) potential increases in inflation and interest rates as a result of a severe decline in the dollar;

(4) recommendations for changes in United States policies, including any recommendation made by the International Monetary Fund on the occasion of the most recent consultation requested under article IV of the Fund's Articles of Agreement, in order to attain an appropriate and sustainable balance in the current account. Such recommendations should include an assessment of the costs and benefits which would accompany any such change;

(5) a report on any progress made by the Secretary and any other officer or employee of the United States (in the United States or abroad) in any effort undertaken to—

(A) stabilize the actual exchange rate of the dollar near a value more consistent with a sustainable balance in the United States current account, including the effect of any intervention in foreign exchange markets on such actual exchange rate;

(B) achieve modifications of the international exchange rate system to reduce instability and disequilibrium in exchange rates; and

(C) negotiate with major trade competitors under section 403(c);

(6) a statement of the objectives and plans of the Secretary with respect to—

(A) the pursuit of domestic economic policies which are consistent with the achievement of an appropriate and sustainable current account balance;

(B) the policy on intervention in foreign exchange markets;

(C) any negotiations with other countries on any reform in the international exchange rate system; and

(D) any negotiations with major trade competitors under section 403(c), including any obstacles that would delay any progress with regard to any such objective or plan;

(7) an assessment of the overall effectiveness of currency intervention undertaken to adjust the actual exchange rate of the dollar; and

(8) a detailed statement of the reasons for any lack of progress regarding international negotiations on modifications of the exchange rate system.

(c) **COUNTRY-BY-COUNTRY ANALYSIS TO BE INCLUDED IN REPORT.**—Each report under subsection (a) shall also contain, where appropriate, an analysis of—

(1) the extent to which the actual exchange rate of the currency of each major trade competitor of the United States differs from a value consistent with underlying international competitive relationships; and

(2) any trend or policy which affects any such exchange rate or the international capital flows between or among any such countries and the United States.

(d) **FEDERAL RESERVE REPORT.**—The Board of Governors of the Federal Reserve System may, as it deems appropriate, submit to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate independent reports on any of the issues described in subsection (b) or (c).

(e) **CONSULTATION WITH CONGRESS.**—The Secretary shall consult with the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate on the report after the report has been received by the respective committees. After receiving such report and consulting with the Secretary, each such Committee shall submit to its respective body a report containing its views and recommendations with respect to the Secretary's intended policies.

SEC. 406. REPORT ON CAPITAL FLOWS.

The Secretary, after consultation with the Chairman of the Board, shall submit to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate annual statistical reports on international capital flows and the impact of such flows on exchange rates and trade flows.

SEC. 407. CONGRESSIONAL RECOGNITION OF THE RECOMMENDATIONS OF THE INTERNATIONAL MONETARY FUND.

Upon completion of any consultation with the United States requested by the International Monetary Fund

under article IV of the Fund's Articles of Agreement, the Secretary shall transmit to the Congress—

- (1) all official United States documents submitted to the Fund in the course of that consultation; and
- (2) all official Fund documents arising from that consultation.

SEC. 408. DEFINITIONS.

For purposes of this subtitle—

- (1) **SECRETARY.**—The term “Secretary” means the Secretary of the Treasury.
- (2) **BOARD.**—The term “Board” means the Board of Governors of the Federal Reserve System.
- (3) **COMPETITIVE EXCHANGE RATE.**—The term “competitive exchange rate” means the set of exchange rates that would be consistent with an appropriate and sustainable balance in the current account, as determined by the Secretary based on an appropriate methodology that takes into account the appropriate factors which provide the most opportune prospect for economic growth.
- (4) **MAJOR TRADE COMPETITOR.**—The term “major trade competitor” means Japan, West Germany, Canada, Italy, France, the Republic of Korea, Taiwan, Singapore, and any other country with which the United States has substantial bilateral trade competition or bilateral capital flows.

Subtitle B—Third World Debt Management Act

CHAPTER 1—SHORT TITLE; FINDINGS; PURPOSES; AND DEFINITIONS

SEC. 411. SHORT TITLE.

This subtitle may be cited as the “Third World Debt Management Act”.

SEC. 412. FINDINGS.

The Congress hereby finds the following:

- (1) The Administration's debt plan, as outlined by Secretary Baker in 1985 at the joint meeting of the World Bank and the International Monetary Fund in Seoul, South Korea, has been partially successful in stimulating increased disbursements to major debtor nations from the World Bank and the IMF but has met with less success in persuading commercial banks to commit new lending to these same countries through the end of 1986.
- (2) Despite major progress by many debtor nations in building reserves, cutting inflation rates and stimulating economic growth rates to their highest level in six years in Latin America, problem areas remain in regard to the economic growth prospects for the lowest-income developing countries and in respect to new lending for all debtor nations.

(3) Recent rescheduling agreements have, however, shown greater flexibility and innovation on the part of the creditor banks and debtor nations in their financing mechanisms. These financing alternatives such as debt to equity swaps, bearer bond or "exit bond" financing, and the provision of investment notes should be extended to as many countries as possible on a case-by-case basis and should be encouraged by all the appropriate regulatory agencies.

(4) A resolution of the current international debt problem will require—

(A) an increase in the flow of private capital in both debt and equity form, to the developing countries; and

(B) an increase in the role played by the public sector and the commercial financial institutions in providing assistance to the developing countries and in managing the international debt situation.

(5) The World Bank, the International Monetary Fund and the regional multilateral development banks are appropriate institutions to help coordinate the international efforts to resolve the current developing country debt situation, but to succeed, the multilateral financial institutions will—

(A) require additional resources;

(B) need to develop more innovative lending practices; and

(C) need to continue to have the political support of the United States.

SEC. 413. PURPOSES.

The purposes of this subtitle are as follows:

(1) Encourage the commercial banks and the appropriate regulatory agencies to work together in implementing a menu of financial mechanisms in order to make the debt situation of developing countries more manageable and permit the continuation of sustained growth in those countries.

(2) Expand the world trading system and raise the level of exports from the United States to the developing countries in order to reduce the United States trade deficit and foster economic expansion and an increase in the standard of living throughout the world.

(3) Increase the stability of the world financial system and ensure the safety and soundness of United States depository institutions.

SEC. 414. DEFINITIONS.

For purposes of this subtitle—

(1) **MULTILATERAL DEVELOPMENT BANK.**—The term "multilateral development bank" means the International Bank for Reconstruction and Development, the Inter-American Development Bank, the African Development Bank, and the Asian Development Bank.

(2) **WORLD BANK.**—The term “World Bank” means the International Bank for Reconstruction and Development.

(3) **STRUCTURAL ADJUSTMENT LENDING.**—The term “structural adjustment lending” means lending for broad macroeconomic stability and in support of structural economic reforms, including lending for trade liberalization, mobilization of domestic and foreign capital, and institutional reform to expand the private sector.

(4) **TRADE LIBERALIZATION.**—The term “trade liberalization” means the reduction of tariff and nontariff barriers to imports and the reduction of barriers to foreign direct and portfolio investment.

CHAPTER 2—INTERNATIONAL DEBT MANAGEMENT AND ECONOMIC GROWTH

SEC. 421. LIMITED PURPOSE SPECIAL DRAWING RIGHTS FOR THE POOREST HEAVILY INDEBTED COUNTRIES.

(a) **STUDY REQUIRED.**—

(1) **IN GENERAL.**—The Secretary of the Treasury, in consultation with the directors and staff of the International Monetary Fund and such other interested parties as the Secretary may determine to be appropriate, shall conduct a study of the feasibility and the efficacy of reducing the international debt of the poorest of the heavily indebted countries through a one-time allocation by the International Monetary Fund of limited purpose Special Drawing Rights to such countries in accordance with a plan which provides that—

(A) the allocation be made without regard to the quota established for any such country under the Articles of Agreement of the Fund;

(B) limited purpose Special Drawing Rights be used only to repay official debt of any such country;

(C) the allocation of limited purpose Special Drawing Rights to any such country not be treated as an allocation on which such country must pay interest to the Fund; and

(D) the use of limited purpose Special Drawing Rights by any such country to repay official debt shall be treated as an allocation of regular Special Drawing Rights to the creditor.

(2) **ADDITIONAL FACTORS TO BE STUDIED.**—The study required under paragraph (1) shall include the following:

(A) To the extent the creation and allocation of the limited purpose Special Drawing Rights described in paragraph (1) would require an amendment of the Articles of Agreement of the International Monetary Fund, an assessment of the period of time within which such amendment

could be ratified by the member nations, based on discussions with the major members of the Fund.

(B) An assessment of other means for achieving the objectives of principal and interest reduction on official debt of the poorest heavily indebted countries through the use of Special Drawing Rights.

(C) A comparative evaluation of proposals of other members of the International Monetary Fund, the directors and staff of the Fund, and other interested parties.

(D) An analysis of the effect the implementation of the provisions in paragraph (1) would have on bilateral and multilateral lenders, the international monetary system, and such other provisions of this Act as may be appropriate.

(E) A comparative analysis of the available alternatives identified under subparagraph (B) or (C).

(b) **REPORT REQUIRED.**—Before the end of the 3-month period beginning on the date of the enactment of this Act, the Secretary of the Treasury shall submit a report to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs and the Committee on Foreign Relations of the Senate containing the findings and conclusions of the Secretary pursuant to the study required under subsection (a), together with—

(1) the recommendation of the Secretary as to which, of all the alternatives for providing relief for the poorest of the heavily indebted countries which were assessed in connection with such study, represents the best available option; and

(2) recommendations for such legislation and administrative action as the Secretary determines to be necessary and appropriate to implement such option.

SEC. 422. PROVISIONS RELATING TO THE REGULATION OF DEPOSITORY INSTITUTIONS.

(a) **REGULATORY OBJECTIVES.**—It is the sense of the Congress that regulations prescribed by Federal banking regulatory agencies which affect the international assets of United States commercial banks should grant the widest possible latitude to the banks for negotiating principal and interest reductions with respect to obligations of heavily indebted sovereign borrowers.

(b) **FLEXIBILITY IN DEBT RESTRUCTURING.**—It is the intent of the Congress that, in applying generally accepted accounting standards, Federal agencies which regulate and oversee the operations of depository institutions (within the meaning given to such term by clauses (i) through (vi) of section 19(b)(1)(A) of the Federal Reserve Act) apply to such institutions maximum flexibility in determining the asset value of restructured loans to heavily indebted sover-

eign borrowers and in accounting for the effects of such restructuring prospectively.

(c) **RECAPITALIZATION.**—It is the intent of the Congress that Federal agencies which regulate and oversee the operations of depository institutions (within the meaning given to such term by clauses (i) through (vi) of section 19(b)(1)(A) of the Federal Reserve Act) should require depository institutions with substantial amounts of loans to heavily indebted sovereign borrowers to seek, as appropriate, expanded recapitalization through equity financing to ensure that prudent institutional capital-to-total asset ratios are established and maintained.

(d) **RESERVES FOR LOAN LOSSES.**—It is the intent of the Congress that Federal agencies which regulate and oversee the operations of depository institutions (within the meaning given to such term by clauses (i) through (vi) of section 19(b)(1)(A) of the Federal Reserve Act) should seek to ensure that appropriate levels of reserves be established by depository institutions engaged in substantial lending to heavily indebted sovereign borrowers in accordance with both the credit and country risks associated with such lending.

(e) **REGULATORY STUDY.**—

(1) **STUDY REQUIRED.**—The Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation shall each conduct a study to determine the extent of any regulatory obstacle to negotiated reductions in the debt service obligations associated with sovereign debt.

(2) **SPECIFIC FACTORS TO BE STUDIED.**—The study required under paragraph (1) shall include the following:

(A) An analysis of regulatory obstacles to negotiated interest reduction.

(B) An analysis of regulatory obstacles to the sale of loans at discount.

(C) An analysis of regulatory and accounting obstacles to the amortization of loan losses.

(D) An analysis of the statutory and regulatory changes which would be required to allow banks to sell some sovereign debt at a discount without decreasing the asset value of other loans to the same borrower, to the extent that—

(i) the borrower receives the full benefit of any discount recognized on such sale; and

(ii) the quality of any other outstanding loan of such borrower is enhanced by the sale.

(E) An analysis of the economic and financial considerations that motivate creditor banks to dispose voluntarily of impaired sovereign loans at a discount in the open market.

(F) An analysis of—

(i) the effect of interest rate reductions, sales of loans at discount, and amortization of

loan losses, on the tax liabilities of creditor banks concerned,

(ii) the manner in which and the extent to which other member nations of the Organization for Economic Cooperation and Development engage in country risk analysis with respect to loans to heavily indebted sovereign borrowers; and

(iii) the extent to which statutory or regulatory provisions or prevailing banking practices in such countries require banks in such countries to allocate specific amounts to reserves against losses on loans to heavily indebted sovereign borrowers on the basis of such country risk analysis or on any other country-by-country basis.

(G) An analysis of—

(i) the prevailing banking practices in the United States with respect to allocations to reserves against losses on loans to heavily indebted sovereign borrowers and the basis on which any such allocation is made; and

(ii) the extent to which the prevailing banking practices in the United States would warrant a statutory or regulatory requirement, including any amendment to the International Lending Supervision Act of 1983 which may be necessary for such purpose, that domestic banks make specific allocations to reserves against losses on loans to heavily indebted sovereign borrowers on the basis of country risk analysis or on such other country-by-country basis as may be determined to be appropriate.

(H) An analysis of the profitability of sovereign lending to developing countries during the 10-year period beginning on January 1, 1976, as determined from the reports of condition, financial statements, and such other reports which the Secretary determines to be appropriate of the 9 largest banking organizations in the United States in terms of total financial assets, including the amount of, and the percentage of, the total net profits of each such banking organization which were derived from transactions with debtor countries, taking into account all income of each such banking organization which was derived, directly or indirectly, from interest, rescheduling fees, and other related fees, costs, or expenses paid by any debtor country to such banking organization in connection with sovereign debt.

(I) An analysis of the actions taken by less developed countries during the period referred to in subparagraph (H) which resulted in the assump-

tion of liability by such countries for loans originally made by such banking organizations to private borrowers in such countries, the aggregate amount of loans which became sovereign debt (with respect to each such country), and the extent to which the assumption of liability for private loans by such countries was a condition imposed by any such banking organization for entering into a rescheduling agreement with such country with respect to any other sovereign debt.

(J) An analysis of possible revisions of regulation K (as prescribed by the Board of Governors of the Federal Reserve System) which would facilitate debt-to-equity conversions and would permit some appropriate expansion of ownership in non-banking enterprises including an increase in the limit of participation in such enterprises to some percentage greater than the current 5 percent and an increase in, or the possible elimination of, the \$15,000,000 ceiling on such investments in favor of using only a percentage of a purchaser's capital and surplus.

(K) An estimate of the impact the legislative recommendations contained in the report required under paragraph (3) would have had on the profitability of the banking organizations described in subparagraph (H) if such recommendations had been in effect during the period referred to in such subparagraph.

(3) **REPORT REQUIRED.**—Before the end of the 6-month period beginning on the date of the enactment of this Act, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation shall each transmit a report to the Congress containing the findings and conclusions of each such agency with respect to the study required under paragraph (1), together with any recommendations concerning legislation which such agency determines to be necessary or appropriate to remove regulatory obstacles to negotiated reductions in the debt service obligations associated with sovereign debt.

(4) **DEFINITIONS.**—For purposes of paragraph (2)(G)—

(A) **BANKING ORGANIZATION.**—The term “banking organization” means a bank holding company (within the meaning given to such term by section 2(a)(1) of the Bank Holding Company Act of 1956) or an insured bank (within the meaning given to such term by section 3(h) of the Federal Deposit Insurance Act).

(B) **TOTAL FINANCIAL ASSETS.**—The term “total financial assets” means the total consolidated financial assets of any banking organization as determined by the Secretary of the Treasury.

SEC. 423. ACTION BY MULTILATERAL INSTITUTIONS.

(a) **FAIR ACCESS OF UNITED STATES FIRMS TO MDB PROCUREMENT.**—The Secretary of the Treasury shall instruct the United States Executive Directors of the multilateral development banks—

(1) to take actions to assure that United States firms are fully informed of bidding opportunities in countries receiving loans from the respective banks;

(2) to take actions to assure that United States firms can focus on projects in which they have a particular interest or competitive advantage and to permit them to compete and have an equal opportunity in submitting timely and conforming bidding documents;

(3) to thoroughly investigate any complaints from United States bidders about the awarding of multilateral development bank procurement contracts to ensure that all multilateral development bank contract procedures and rules are observed and that United States firms are treated fairly; and

(4) to promote opportunities for exports of goods and services from the United States.

(b) **ENCOURAGEMENT OF DEBT-TO-EQUITY SWAPS.**—In order to encourage and facilitate the development of debt-to-equity swaps as a means of helping to reduce both debt and debt service burdens in heavily indebted developing nations, the Secretary of the Treasury shall instruct the United States Executive Director of the World Bank to initiate discussions with other directors of the Bank on the appropriate role for the World Bank and the International Finance Corporation in supporting debt-to-equity swaps and to propose that the World Bank and the IFC—

(1) more actively support the development of domestic capital markets in developing countries;

(2) encourage, as a key element of debtor structural reforms, improvements in the investment climate for private investors, both domestic and foreign; and

(3) help facilitate the conversion of bank-held debt into financial instruments that will be attractive to other foreign investors, including the establishment of mutual funds.

(c) **APPOINTMENT OF FOREIGN COMMERCIAL OFFICERS.**—

(1) **APPOINTMENT.**—The Secretary of the Treasury, in conjunction with the Secretary of Commerce, shall appoint a foreign commercial officer to serve with each of the United States Executive Directors of multilateral development banks.

(2) **DUTIES OF OFFICERS.**—It shall be the duty of each foreign commercial officer to assist the United States Executive Director with respect to whom such officer has been appointed in carrying out the duties of such Executive Director described in subsection (c).

SEC. 424. REDUCING CAPITAL FLIGHT.

(a) **SENSE OF THE CONGRESS.**—It is the sense of the Congress that—

(1) past and continuing transfers of capital from developing countries pose a problem of great importance for which a solution must be found before the international debt crisis can be resolved and economic growth in developing countries can be enhanced and sustained; and

(2) the United States Executive Director of the International Bank for Reconstruction and Development should—

(A) initiate discussions with other directors of the Bank for the purpose of developing policy proposals for both developed countries and developing countries, respectively, which, if implemented, would reduce the level of capital transfers from the developing countries by enhancing incentives to invest in developing countries and thereby reduce the impact of such capital flight on the economies of such countries; and

(B) report any such proposal which is applicable with respect to the United States to the Secretary of the Treasury and the Chairman of the Board of Governors of the Federal Reserve System.

(b) **INSTRUCTIONS TO UNITED STATES EXECUTIVE DIRECTORS OF MULTILATERAL DEVELOPMENT BANKS.**—The Secretary of the Treasury shall instruct the United States Executive Directors of the multilateral development banks to initiate discussions with other directors of their respective banks and to propose that each such bank increase lending for the purpose of reforming the financial sectors of indebted developing countries with particular emphasis on increases in loans for activities which would have the effect of enlarging the capital markets and encouraging domestic savings in those countries.

SEC. 425. STUDY AND REPORT ON CERTAIN INTERNATIONAL MONETARY FUND ACTIVITIES.

(a) **STUDY REQUIRED.**—The Secretary of the Treasury shall instruct the United States Executive Director of the International Monetary Fund to conduct a study on—

(1) the impact the Fund's economic adjustment programs have on the political stability of less developed country democracies;

(2) the role the Fund intends to play in resolving the less developed country debt crisis; and

(3) the implementation of policies described in section 49 of the Bretton Woods Agreements Act.

(b) **SPECIFIC FACTORS TO BE STUDIED.**—The study required under subsection (a) shall include the following:

(1) An analysis of any action the International Monetary Fund has taken to secure adequate financing for

less developed countries through commercial banks and international financial institutions.

(2) An assessment of the Fund's handling of the less developed country debt crisis with particular emphasis on the Fund's standby program with major debtor countries, including an analysis of the Fund's role in the new policy framework established jointly by the Fund and the International Bank for Reconstruction and Development.

(3) In connection with the consideration of the effects the Fund's economic adjustment programs have on less developed country democracies, an analysis of the effect, including any negative effect, such programs have on any such country's ability to—

- (A) create jobs;
- (B) promote an equitable distribution of income;
- (C) satisfy basic human needs and provide social assistance programs for all its citizens, particularly the economically disadvantaged; and
- (D) promote democratic principles and ideals as well as political stability.

(c) **CONSULTATION WITH OTHER EXECUTIVE DIRECTORS.**—The Secretary of the Treasury shall instruct the United States Executive Director of the International Monetary Fund to consult with other directors of the Fund, especially directors from less developed country democracies, and such other experts and consultants with specific knowledge of the Fund and its programs as the director may determine to be appropriate in conducting the study required under subsection (a).

(d) **REPORT REQUIRED.**—Before the end of the 6-month period beginning on the date of the enactment of this Act, the Secretary of the Treasury shall submit a report to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate containing the findings and conclusions of the United States Executive Director of the International Monetary Fund pursuant to the study required under subsection (a).

SEC. 426. STRUCTURAL ADJUSTMENT LENDING.

(a) **DIRECTIONS TO UNITED STATES EXECUTIVE DIRECTOR OF THE WORLD BANK.**—In order to promote the economic policy adjustments which are needed to assist developing countries, the Secretary of the Treasury shall instruct the United States Executive Director of the World Bank to initiate discussions with other directors of the bank and to propose that—

(1) appropriate action be taken by the bank to ensure that the aims of structural adjustment lending can be achieved;

(2) the conditionality of structural adjustment lending include innovative requirements designed to minimize any adverse impact of such lending on the lowest

income groups in the developing countries, including evaluation and action to remove legal and regulatory barriers to credit for microenterprises; and

(3) appropriate action be taken by the bank to ensure that structural adjustment lending is consistent with or promotes environmentally sound and responsible development practices that lead to sustainable long-term management of the natural resources of these countries.

(b) **SMALL-SCALE CREDIT.**—The Secretary of the Treasury shall instruct the United States Executive Director of the World Bank or, if the Secretary determines such action to be appropriate, with the United States Executive Directors of each of the other multilateral banks to enter into negotiations with the other directors of the respective bank and to propose mechanisms, including coordination with and innovative use of indigenous nongovernmental organizations and private financial institutions as intermediaries, for purposes of making small-scale credit available to lower income groups in developing countries which have had no access to such credit.

(c) **REPORT BY THE SECRETARY OF THE TREASURY.**—

(1) **REPORT REQUIRED.**—The Secretary of the Treasury shall, before the end of the 1-year period beginning on the date of the enactment of this subtitle and in conjunction with and consultation with the United States Executive Director of the World Bank, prepare and submit a report to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate on the effectiveness of increased reliance on structural adjustment lending as a means of achieving economic reforms.

(2) **CONTENTS OF REPORT.**—The report prepared under paragraph (1) shall include—

(A) information about the extent to which structural adjustment lending has increased domestic savings rates, liberalized trade, encouraged direct investment in developing countries, and reduced capital flight; and

(B) economic and demographic data on the impact of structural adjustment lending on various income groups within the recipient countries, particularly the impact of such lending on the provision of resources to meet the basic human needs of the lowest income groups, including the need for adequate nutrition and basic health care.

SEC. 427. COMPETITIVE OPPORTUNITY TO ACQUIRE GOVERNMENT DEBT INSTRUMENTS.

The Secretary of the Treasury, in consultation with the Board of Governors of the Federal Reserve System, shall report to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee

on Banking, Housing, and Urban Affairs and the Committee on Foreign Relations of the Senate, within six months of the date of enactment of this Act, on efforts by the United States to assure that foreign countries grant United States companies an opportunity to compete in the acquisition of government debt instruments issued by such countries.

CHAPTER 3—ENSURING THE STABILITY OF THE INTERNATIONAL FINANCIAL SYSTEM

SEC. 431. PRIVATE CAPITAL SOURCES FOR DEVELOPING NATIONS.

(a) **STUDY REQUIRED.**—The Secretary of the Treasury, working in conjunction with—

- (1) the Chairman of the Board of Governors of the Federal Reserve System;
- (2) the Comptroller of the Currency;
- (3) accountants, lawyers, bankers, and consultants with special knowledge of international finance; and
- (4) representatives of the governments and central banks of Japan, West Germany, France, the United Kingdom, Italy, Canada, and Switzerland,

shall explore the changes in the structure of United States capital markets and the regulation of private financial institutions which would be necessary in order to bring about a lasting resolution of the international debt crisis in a manner which is consistent with both increased growth in debtor nations and increased stability of the United States financial system.

(b) **TOPICS TO BE INCLUDED IN STUDY.**—The study conducted by the Secretary of the Treasury shall include an analysis of the following proposals:

(1) Statutory or regulatory changes which may be appropriate to encourage the growth of a secondary market in developing country debt.

(2) Payment of a portion of the debt service obligations of developing countries in local currencies.

(3) Analysis of the effect debt relief would have on market valuation of stocks of commercial banks and the stability of the financial system.

(4) Evaluation of changes which would be required in the tax laws of the United States to encourage commercial banks to engage in less developed country debt forgiveness.

(5) Feasibility of establishing a national and international debt discount facility and analysis of sources of funds for the capitalization and operation of such facility.

(6) Examination of the regulatory, tax, and accounting environment which has encouraged greater recognition of loan losses by banks located in other countries.

(7) Evaluation of any potential role for the Bank for International Settlements in resolving the debt crisis.

(8) Feasibility of achieving, in an efficient and effective manner, an expansion of the secondary market for less developed country debt and further reductions in commercial bank holdings of such debt by encouraging commercial banks which hold such debt to repackage or pool the debt instruments (with respect to such debt) and sell, to private investors—

(A) the repackaged obligations or participation shares in such obligations; or

(B) securities or participation shares collateralized by any such pooled obligations.

(9) Evaluation of any other options which would have the effect of increasing the utilization of domestic and international capital markets in addition to the commercial banks to provide capital for developing nations.

(10) Evaluation of the market for debt-equity swaps in the major less developed debtor countries.

(c) **REPORT TO CONGRESS.**—The Secretary of the Treasury, in conjunction with the Chairman of the Board of Governors of the Federal Reserve System and the Comptroller of the Currency, shall prepare and submit a report to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs and the Committee on Foreign Relations of the Senate before the end of the 6-month period beginning on the date of the enactment of this subtitle on the advisability of implementing any of the proposals analyzed in the study conducted pursuant to subsection (a) together with any recommendation of such Secretary for legislation which the Congress should consider.

SEC. 432. MOBILIZATION OF PRIVATE CAPITAL.

(a) **MULTILATERAL DEVELOPMENT BANK ACTION.**—The Secretary of the Treasury shall instruct the United States Executive Directors of the multilateral development banks to initiate discussions with other directors of their respective banks and to propose that—

(1) greater use of cofinancing be made by each such bank to encourage increased commercial bank participation in lending by such bank; and

(2) steps be taken to make credits available to satisfy the capital needs of private, income-generating, small businesses or microenterprises owned by the very poorest individuals in the developing countries.

(b) **INCREASE IN THE ROLE OF THE WORLD BANK AND THE IMF AS INTERMEDIARIES.**—The Secretary of the Treasury shall instruct the United States Executive Director of the International Bank for Reconstruction and Development and the United States Executive Director of the International Monetary Fund to initiate discussions with other directors of the Bank or Fund, as the case may be, and to

propose that steps be taken to increase the role of the Bank and the Fund, respectively, as an intermediary and coordinator in generating new capital and creating new capital instruments, particularly drawing on world securities and capital markets, for the benefit of developing countries.

SEC. 433. MORE FLEXIBLE PROCEDURES FOR RESCHEDULING OF DEBT SERVICE PAYMENTS FOR DEVELOPED COUNTRIES.

It is the sense of Congress that the Secretary of the Treasury and the Chairman of the Federal Reserve Board should encourage the commercial banks to develop a "menu" of alternative new money options from which all banks with debt exposure can choose in providing continuing support for debtor reforms. Such efforts should build upon recent creative ideas already being developed by debtors and creditors alike. Possible items on such a menu, in addition to traditional balance of payments lending, might include, but would not be limited to, the following:

- (1) Extension of trade credits over and above existing trade credit lines.
- (2) New foreign direct or portfolio investment flows.
- (3) Retiming proposals.
- (4) Project loans.
- (5) Purchase of debtor government notes or bonds.
- (6) Debt/equity swaps.

The Congress recognizes that the banks themselves must develop their own "menu" options, in order to assure broad acceptance within the full group of commercial banks with outstanding loans to the debtor nations.

**CHAPTER 4—MULTILATERAL INVESTMENT
GUARANTEE AGENCY**

SEC. 436. SHORT TITLE.

This chapter may be cited as the "Multilateral Investment Guarantee Agency Act".

SEC. 437. ACCEPTANCE OF MEMBERSHIP.

The President is hereby authorized to accept membership for the United States in the Multilateral Investment Guarantee Agency (hereinafter in this chapter referred to as the "Agency") provided for by the Convention Establishing the Multilateral Investment Guarantee Agency (hereinafter in this chapter referred to as the "Convention") deposited in the archives of the International Bank for Reconstruction and Development (hereinafter in this chapter referred to as the "Bank").

SEC. 438. GOVERNOR AND ALTERNATE GOVERNOR.

The Governor and Alternate Governor of the Bank, appointed under section 3 of the Bretton Woods Agreements Act, shall serve as Governor and Alternate Governor, respectively, of the Agency.

SEC. 439. APPLICABILITY OF BRETTON WOODS AGREEMENTS ACT.

The provisions of section 4 of the Bretton Woods Agreements Act shall apply with respect to the Agency to the same extent as such provisions apply to the Bank and the International Monetary Fund. Reports with respect to the Agency under paragraphs (5) and (6) of section 4(b) of such Act shall be included in the reports made pursuant to such paragraphs after the date the United States accepts membership in the Agency.

SEC. 440. RESTRICTIONS.

Unless authorized by law, neither the President nor any person or agency shall, on behalf of the United States—

- (1) subscribe to additional shares of stock of the Agency;
- (2) vote for or agree to any amendment of the Convention which increases the obligations of the United States, or which changes the purpose or functions of the Agency; or
- (3) make a loan or provide other financing to the Agency.

SEC. 441. FEDERAL RESERVE BANKS AS DEPOSITARIES.

Any Federal Reserve bank which is requested to do so by the Agency shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

SEC. 442. SUBSCRIPTION OF STOCK.

(a) **AUTHORIZATION OF SUBSCRIPTION.**—The Secretary of the Treasury is authorized to subscribe on behalf of the United States to 20,519 shares of the capital stock of the Agency, except that the subscription shall be effective only to such extent or in such amounts as are provided in advance in appropriations Acts.

(b) **AUTHORIZATION OF APPROPRIATION.**—In order to pay for the United States subscription authorized in subsection (a), there are authorized to be appropriated, without fiscal year limitation, \$222,015,580, for payment by the Secretary of the Treasury.

(c) **DIVIDENDS.**—Any payment of dividends made to the United States by the Agency shall be deposited into the Treasury as a miscellaneous receipt.

SEC. 443. JURISDICTION OF UNITED STATES COURTS AND ENFORCEMENT OF ARBITRAL AWARDS.

(a) **VENUE.**—For the purposes of any civil action which may be brought within the United States, its territories or possessions, or the Commonwealth of Puerto Rico, by or against the Agency in accordance with the Convention (including an action brought to enforce an arbitral award against the Agency), the Agency shall be deemed to be an inhabitant of the Federal judicial district in which—

(1) its principal office within the United States is located; or

(2) its agent appointed for the purpose of accepting service or notice of service is located.

(b) **JURISDICTION.**—Any action described in subsection (a) to which the agency is a party shall be deemed to arise under the laws of the United States. The district courts of the United States, including the courts enumerated in section 460 of title 28, United States Code, shall have original jurisdiction of any such action.

(c) **REMOVAL.**—Whenever the Agency is a defendant in any action in a State court, it may at any time before the trial thereof remove the action into the appropriate district court of the United States in the manner provided in section 1446 of title 28, United States Code.

SEC. 444. FORCE AND EFFECT OF CONVENTION.

Articles 43 through 48 of the Convention shall have full force and effect in the United States, its territories and possessions, and the Commonwealth of Puerto Rico, upon the entry into force of the Convention for the United States.

SEC. 445. FULL FAITH AND CREDIT FOR ARBITRAL AWARDS; JURISDICTION.

(a) **IN GENERAL.**—Any award of an arbitral tribunal resolving a dispute arising under Article 57 or Article 58 of the Convention shall create a right arising under a treaty of the United States. The pecuniary obligations imposed by such an award shall be enforced and shall be given the same full faith and credit as if the award were a final judgment of a court of general jurisdiction of one of the several States. The provisions of title 9, United States Code, shall not apply to enforcement of awards rendered pursuant to the Convention.

(b) **JURISDICTION.**—The district courts of the United States (including the courts enumerated in section 460 of title 28, United States Code) shall have exclusive jurisdiction over actions and proceedings under subsection (a), regardless of the amount in controversy.

CHAPTER 5—INTER-AMERICAN DEVELOPMENT BANK

SEC. 446. MERGER OF INTER-REGIONAL AND ORDINARY CAPITAL.

The Inter-American Development Bank Act (22 U.S.C. 283) is amended by adding at the end thereof the following new section:

“SEC. 32. The United States Governor of the Inter-American Development Bank is hereby authorized to agree to and to accept the amendments to the Articles of Agreement in the proposed resolution entitled ‘Merger of Inter-regional and Ordinary Capital Resources’.”

**SEC. 447. WAIVER OF COUNTRY PROGRAM LIMITATIONS UNDER
NEW REPLENISHMENT AGREEMENT UNDER CER-
TAIN CONDITIONS.**

The Secretary of the Treasury shall instruct the United States Executive Director of the Inter-American Development Bank to initiate discussions with other directors of such bank and to propose that a provision be included in any replenishment agreement which is negotiated after the date of enactment of this subtitle which would allow the directors of such bank to waive any country program limitation contained in such replenishment agreement if the directors determine that—

(1) the waiver would not deprive any other country of any resources which are available under such agreement for such country; and

(2) the country for which the waiver would be made has—

(A) a need for the resources which the waiver would make available; and

(B) the capacity to absorb such additional resources.

Subtitle C—Competitive Trading Practices

**SEC. 451. AMENDMENTS TO TRADE AND DEVELOPMENT EN-
HANCEMENT ACT OF 1983.**

(a) **REPORT TO CONGRESS AND TERMINATION OF ACT.**—The Trade and Development Enhancement Act of 1983 is amended by adding at the end the following new sections:

“SEC. 648. REPORT TO CONGRESS.

“The President shall transmit to the Congress, on a semiannual basis, a report setting forth the activities carried out under sections 644 and 645. Each such report shall include—

“(1) information on applications used by the Export-Import Bank and the Agency for International Development for making assistance available under sections 644 and 645;

“(2) information on the disposition of such applications;

“(3) an identification of the foreign governments whose behavior the President is trying to influence by the use of such assistance, and an explanation of why the assistance involved is deemed likely to influence that behavior;

“(4) evidence that clearly demonstrates that assistance under sections 644 and 645 has been used for the purposes of this Act;

“(5) information on any progress that has been made in negotiations on agreements within the Organization for Economic Cooperation and Development to limit the use of tied aid credits;

"(6) information on the extent to which tied aid credits are being used at the time of such report by major trading countries within such Organization, the terms of any such credits, and the market sectors with respect to which such credits are being used; and

"(7) information on the extent to which assistance under this Act has been effective—

"(A) in discouraging the use of tied aid credits for commercial purposes by other countries; and

"(B) in helping to protect United States exporters from unfair and predacious official export competition.

"SEC. 649. TERMINATION OF AUTHORITIES.

"The authorities contained in this Act shall cease to be effective at the end of the 90-day period beginning on the date the President transmits to the Congress the President's certification that a majority of the members of the National Advisory Council on International and Monetary Financial Policies have determined that—

"(1) the United States has reached an agreement with the governments of the other member countries of the Organization for Economic Cooperation and Development which ends abuse of tied aid credits in pursuit of national commercial benefits; and

"(2) those governments are honoring the terms of that agreement."

(b) **FUNDING BY THE AGENCY FOR INTERNATIONAL DEVELOPMENT.**—Section 645(d) of the Trade and Development Enhancement Act of 1983 (12 U.S.C. 635r(d)) is amended by striking out "allocated for Commodity Import Programs".

SEC. 452. PROVISIONS RELATING TO EXPORT-IMPORT BANK.

(a) **FINDINGS.**—The Congress hereby finds that—

(1) the debt position of many developing countries has placed serious limitations on the ability of these countries to import;

(2) commercial banks have largely withdrawn from financing exports, shutting out American exporters from already shrinking less developed country markets;

(3) the changing nature of international transactions means that United States exporters require financing in riskier markets and on transactions which are smaller and more difficult to put together and close;

(4) given these changes, it is important for the Export-Import Bank of the United States to increase its ability to assume a broader range of explicitly-defined country and transaction risks and to encourage the private sector to do the same; and

(5) at the same time, it is important that the Export-Import Bank maintain its ability to operate efficiently and in a fiscally responsible fashion.

(b) **PURPOSE.**—It is the purpose of this section to require the Export-Import Bank of the United States to identify

changes in policy and specific changes in financing programs administered by the Bank that would facilitate additional financing of United States exports to debt-burdened developing countries as part of an overall debt management strategy.

(c) **REPORT REQUIRED.**—(1) Before the end of the 90-day period beginning on the date of the enactment of this Act, the President and Chairman of the Export-Import Bank of the United States shall submit to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate a written report which contains the following:

(A) An assessment of the effectiveness of recent program changes in increasing United States exports to developing countries;

(B) An identification of additional specific policy and program changes which—

(i) would enable the Bank to increase the financing of United States exports to developing countries; and

(ii) would encourage greater private sector participation in such financing efforts;

(C) An assessment of the viability and cost of the programs identified in subparagraph (B).

(2) The report required under paragraph (1) shall specifically assess the viability of—

(A) setting up a separate class of programs for the major debt burdened countries through which these countries or United States exports to these countries would receive preferential treatment;

(B) introducing a less stringent standard of repayment in regard to debt burdened countries; and

(C) expanding the guarantee authority of the Export-Import Bank in order to allow the Bank to assume part of the exposure of commercial banks to debtor countries as part of a program to provide Export-Import Bank guarantees for new loans in support of United States exports.

Subtitle D—Export Trading Company Amendments

SEC. 476. SHORT TITLE.

This subtitle may be cited as the “Export Trading Company Amendments of 1987”.

SEC. 477. EXPORT TRADING COMPANY AMENDMENTS.

(a) **PROCEDURES APPLICABLE TO DETERMINATION OF CLASSIFICATION AS EXPORT TRADING COMPANY.**—Section 4(c)(14) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(c)(14)) is amended by inserting after subparagraph (F) the following new subparagraphs:

"(G) DETERMINATION OF APPLICABILITY OF CLASSIFICATION.—For purposes of determining whether an export trading company is operated principally for the purposes described in subparagraph (F)(i)—

"(i) the operations of such company during the 2-year period beginning on the date such company commences operations shall not be taken into account in making any such determination;

"(ii) not less than 4 consecutive years of operations of such company (not including any portion of the period referred to in clause (i)) shall be taken into account in making any such determination; and

"(iii) fees derived from the facilitation, outside the United States, of trade services shall be treated as revenue derived from exporting or facilitating exports to the extent—

"(I) the fees so derived are remitted to the United States; and

"(II) the aggregate amount of such fees in any year does not exceed one-half the amount of revenue actually derived from export operations or the facilitation of export services.

"(H) FACILITATION OF TRADE SERVICES.—For purposes of subparagraph (G)(iii), the term 'facilitation of trade services' means arranging for, but not performing, any trade service which would be an export trade service (under subparagraph (F)(ii)) but for the fact that such service was not provided in order to facilitate the export of any good or service produced in the United States."

(b) LEVERAGE.—Section 4(c)(14)(A) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(c)(14)(A)) is amended by redesignating clauses (v) and (vi) as clauses (vi) and (vii), respectively, and by inserting after clause (iv) the following new clause:

"(v) LEVERAGE.—The Board may not disapprove any proposed investment solely on the basis of the anticipated or proposed asset-to-equity ratio of the export trading company with respect to which such investment is proposed, unless the anticipated or proposed annual average asset-to-equity ratio is greater than 15-to-1."

(c) INVENTORY.—Section 4(c)(14)(A) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(c)(14)) is amended by inserting after subparagraph (H) (as added by subsection (a) of this section) the following new subparagraph:

"(I) INVENTORY.—

"(i) NO GENERAL LIMITATION.—The Board may not prescribe by regulation any maximum dollar amount limitation on the value of

goods which an export trading company may maintain in inventory at any time.

“(ii) **SPECIFIC LIMITATION BY ORDER.**—Notwithstanding clause (i), the Board may issue an order establishing a maximum dollar amount limitation on the value of goods which a particular export trading company may maintain in inventory at any time (after such company has been operating for a reasonable period of time) if the Board finds that, under the facts and circumstances, such limitation is necessary to prevent risks that would affect the financial or managerial resources of an investor bank holding company to an extent which would be likely to have a materially adverse effect on the safety and soundness of any subsidiary bank of such bank holding company.”.

6. *An amendment to be offered by Representative Olin of Virginia, debatable for not to exceed 40 minutes*

Page 707, strike out line 8 and all that follows through line 12 on page 708, and redesignate succeeding sections accordingly.

7. *An amendment to be offered by Representative Gibbons of Florida, debatable for not to exceed 30 minutes*

Strike section 671, page 712, line 8 through line 23.

8. *An amendment to be offered by Representative Lent of New York or his designee, debatable for not to exceed 40 minutes*

Page 757, beginning on line 11, strike out all of subsection (j) through line 21 and insert the following:

(j) **REGULATIONS.**—

(1) **REGULATIONS REQUIRED; DEADLINES FOR PROMULGATION.**—Not later than 90 days after the date of enactment of this Act, the Secretary shall, in accordance with the requirements of this subsection, publish for notice and public comment regulations to carry out this section. The Secretary shall prescribe final regulations to carry out this section not later than 180 days after such date of enactment.

(2) **CONTENTS OF REGULATIONS.**—Regulations prescribed by the Secretary under this subsection—

(A) shall establish forms and procedures for making the disclosures required by this section;

(B) shall establish procedures for indexing, and providing public access to, the information disclosed under this section;

(C) may define any term used in this section which is not defined in subsection (m) and may provide further clarification of any term which is defined in such subsection;

(D) may, subject to paragraph (3) of this subsection—

(i) exempt any person or interest or class of persons or interests, in whole or in part, or upon specific terms and conditions, from the requirements of this section, or exempt from public access the information disclosed by any person or class of persons, in whole or in part, or upon specific terms and conditions; or

(ii) establish procedures for the granting of such an exemption by order, upon application by any person;

(E) may prescribe means reasonably designed to prevent any person from evading or circumventing the provisions of this section; and

(F) may otherwise provide for the implementation of the provisions of this section.

(3) **CRITERIA FOR EXEMPTIONS.**—No exemption may be granted pursuant to paragraph (2)(D) of this subsection unless the Secretary determines, in the proceeding to establish the exemption by rule or to grant the exemption by order, that the exemption is necessary in order to prevent a substantial impairment of beneficial foreign investment in the United States. In making such a determination, the Secretary shall consider the impact of foreign investment in the United States on—

(A) employment in the United States;

(B) Federal and State tax revenues;

(C) the balance of international trade;

(D) access to advanced technology;

(E) the cost and availability of capital to United States businesses; and

(F) the stability of United States markets in securities, real estate, and natural resources.

9. *An amendment to be offered by Representative Hoyer of Maryland or his designee, debatable for not to exceed 30 minutes*

Page 807 after line 22, insert the following:

SEC. 880. SENSE OF CONGRESS REQUESTING THE PRESIDENT TO INSTRUCT THE SECRETARY OF THE TREASURY TO ENFORCE SECTION 1307 OF TITLE 19, UNITED STATES CODE, WITHOUT DELAY.

(a) **CONGRESSIONAL FINDINGS.**—The Congress finds that—

(1) its February 1983 report to the Congress on forced labor in the Union of Soviet Socialist Republics, the Department of State confirmed that Soviet forced labor is used “to produce large amounts of primary and manufactured goods for both domestic and Western export markets”, and that such labor is used as an integral part of Soviet national economy;

(2) the Central Intelligence Agency has compiled a list of over three dozen products made by Soviet forced labor and imported by the United States, and that items on the September 27, 1983 list include chemi-

cals, gold, uranium, aluminum, wood products and glassware;

(3) the International Commission on Human Rights has concluded that the Soviet Union "continues the deplorable practice of forced labor in manufacturing and construction projects: and that prisoners "are forced to work under conditions of extreme hardship including malnutrition, inadequate shelter and clothing, and severe discipline";

(4) the Congress is on record as opposing forced labor, having enacted a prohibition (which has been codified in section 1307 of title 19, United States Code) on the importation of goods made with such labor and having passed in the Ninety-eighth Congress by unanimous vote a resolution calling such practices morally reprehensible and calling upon the President to express to the Soviet Union the opposition of the United States to such policies;

(5) the prohibition enacted by the Congress declares that "goods, wares, articles, and merchandise mined, produced or manufactured wholly or in part in any foreign country by convict labor or/and forced labor or/and indentured labor under penal sanctions shall not be entitled to entry at any of the ports of the United States, and the importation thereof is hereby prohibited";

(6) there is ample knowledge of the Soviet forced labor system to require enforcement of the prohibition codified in section 1307 of title 19, United States Code; and

(7) the delay in enforcing the law brings into question the commitment of the United States to protest the inhumane treatment of prisoners in the Soviet Gulag, an estimated ten thousand of whom are political and religious prisoners according to the Department of State.

(b) SENSE OF CONGRESS.—It is the sense of the Congress that the President should express to the Soviet Union in the firmest possible terms the strong moral opposition of the United States to the slave labor policies of the Soviet Union by every means possible, including refusing to permit the importation into the United States of any products made in whole or in part by such labor.

(c) PRESIDENTIAL ACTION.—The President is hereby requested to instruct the Secretary of the Treasury to enforce section 307 of the Tariff Act of 1930 (19 U.S.C. 1307) without delay.

10. *An amendment to be offered by Representative Lukens of Ohio or his designee, debatable for not to exceed 30 minutes*

Page 776, line 8, delete "paragraph (2)" and insert "paragraphs (2), (3)".

After paragraph (2) insert, "(3) Section 806 applies to articles entered on or after the 90th day after the date of the enactment of this Act.

11. An amendment to be offered by Representative Konnyu of California or his designee, debatable for not to exceed 40 minutes

On page 845, beginning on line 19, thru page 858, line 15, strike all of Title X.

12. An amendment to be offered by Representative Wolf of Virginia or his designee, debatable for not to exceed 30 minutes.

Page 896, after line 17, insert the following:

TITLE XV—MOST-FAVORED-NATION TREATMENT TO PRODUCTS OF RO- MANIA

SEC. 1501. MOST-FAVORED-NATION TREATMENT TO PRODUCTS OF ROMANIA.

(a) CONGRESSIONAL FINDINGS.—The Congress—

(1) notes that the Department of State, in the publication *Country Reports on Human Rights Practices for 1985*, determined that "In the area of human rights, major discrepancies exist between generally accepted standards, for example as embodied in the Helsinki Final Act of the Conference on Security and Cooperation in Europe, and Romanian practice. . . . The party, through the Government, continues to restrict and control the right to free speech, free assembly and association, and the practice of one's religion.";

(2) is aware of numerous accounts from the Department of State, Congressional delegations, and various human rights organizations, that Romanian citizens are being arbitrarily harassed, interrogated, and arrested by Romanian government authorities for the exercise of civil and religious liberties;

(3) finds that official Romanian harassment of religious believers has not only been extended to the arrest of persons for carrying Bibles and other religious materials, but even carried to the point of destroying places of worship, including most recently the country's largest Seventh Day Adventist Church and the Sephardic synagogue in Bucharest;

(4) further finds that the United States trade deficit with Romania (which continues to be high) is a result of our extension of nondiscriminatory treatment (most-favored-nation treatment) to that country and can be construed as an endorsement of that nation's abusive internal practices;

(5) is aware of the severe limits placed on the rights of Hungarians and other ethnic minorities within Romania to express and maintain their cultural heritage,

as is illustrated by the attempts made by the Romanian government to eliminate systematically Hungarian churches, schools, traditions, and even the Hungarian language from Romanian society;

(6) recognizes and emphasizes the continued dedication of the United States to fundamental human rights (as noted in section 402 of the Trade Act of 1974) and is concerned with Romania's commitment to those rights; and

(7) commends the President for withdrawing Romania's eligibility for duty-free treatment under the Generalized System of Preferences because of Romania's violation of "internationally recognized worker rights".

(b) **OBJECTIVES.**—The objectives of this section are to effect—

(1) the termination of the current policies and practice of the Government of Romania under which—

(A) its citizens are denied the right or opportunity to emigrate,

(B) more than a nominal tax is imposed on emigration or on the visas or other documents required for emigration, and

(C) more than nominal taxes, levies, fines, fees, or other charges are imposed on citizens as a consequence of their desire to emigrate to the countries of their choice; and

(2) substantial progress in halting the persecution by the Government of Romania of its citizens on religious and political grounds, and the repression by such Government of Hungarians and other ethnic minorities within Romania.

(c) **DEFINITIONS OF RIGHTS REVIEW PERIOD.**—As used in this section, the term "rights review period" means—

(1) the 6-month period referred to in subsection (d)(1); and

(2) each successive period of 180 consecutive calendar days occurring after the last day of the 6-month period referred to in paragraph (1).

(d) **SUSPENSION OF NONDISCRIMINATORY TREATMENT FOR ROMANIAN PRODUCTS.**—(1) The products of Romania may not receive nondiscriminatory treatment (most-favored-nation treatment) during the 6-month period beginning on the date of the enactment of this section.

(2) The products of Romania may receive nondiscriminatory treatment (most-favored-nation treatment) during any rights review period referred to in subsection (c)(2) only if—

(A) no later than the 30th day before the close of the immediately preceding rights review period, the President submits to the House of Representatives and the Senate a document containing—

(i) a Presidential determination, and the reasons therefore, that the application of nondiscrimina-

tory treatment to the products of Romania during the next rights review period will substantially promote the objectives listed in subsection (b),

(ii) a statement that the President has received assurances that the policies and practices of the Romanian government will henceforth lead substantially to the achievement of such objectives, and

(iii) based on such determination and finding, a recommendation by the President that nondiscriminatory treatment be applied to the products of Romania during the rights review period; and

(B) a joint resolution disapproving such application is not enacted, in accordance with the procedures referred to in subsection (e), before the close of the rights review period in which the document referred to in subparagraph (A) is submitted.

(e) **RESOLUTION DISAPPROVING NONDISCRIMINATORY TREATMENT FOR THE PRODUCTS OF ROMANIA.**—(1) For purposes of this subsection, the term “joint resolution” means only a joint resolution of the two Houses of Congress the matter after the resolving clause of which is as follows: “That the Congress disapproves the application of nondiscriminatory treatment (most-favored-nation treatment) to the products of Romania that was recommended by the President to the Congress on _____”, with the blank space being filled with the appropriate date.

(2) The provisions of section 152 of the Trade Act of 1974 (relating to concurrent resolutions) apply to joint resolutions except that in applying section 152(c)(1), all calendar days shall be counted and 5 calendar days shall be substituted for 30 calendar days. Section 154(a) of the Trade Act of 1974 applies to documents transmitted by the President under subsection (d)(2)(A).

(f) **INAPPLICABILITY OF CERTAIN TITLE IV PROVISIONS.**—On and after the date of the enactment of this section, sections 401 and 402 of the Trade Act of 1974 do not apply with respect to the tariff treatment of the products of Romania.

13. *An amendment to be offered by Representative Pease or his designee, debatable for not to exceed 30 minutes*

Page 896, after line 17, insert the following:

TITLE XV—FEDERAL BUDGET COMPETITIVENESS IMPACT STATEMENT

SEC. 1501. PRESIDENT'S ANNUAL BUDGET SUBMISSION.

Subsection (a) of section 1105 of title 31, United States Code, is amended by inserting at the end thereof the following new paragraph:

“(26) an analysis, prepared by the Office of Management and Budget after consultation with the chair-

man of the Council of Economic Advisers, of the budget's impact on the international competitiveness of United States business and the United States balance of payments position and shall include the following projections, based upon the best information available at the time, for the fiscal year for which the budget is submitted—

“(A) the amount of borrowing by the Government in private credit markets;

“(B) net domestic savings (defined as personal savings, corporate savings, and the fiscal surplus of State and local governments);

“(C) net private domestic investment;

“(D) the merchandise trade and current accounts;

“(E) the net increase or decrease in foreign indebtedness (defined as net foreign investment); and

“(F) the estimated direction and extent of the influence of the Government's borrowing in private credit markets on United States dollar interest rates and on the real effective exchange rate of the United States dollar.”.

SEC. 1502. ANNUAL CONCURRENT RESOLUTION ON THE BUDGET.

Subsection (e) of section 301 of the Congressional Budget Act of 1974 (2 U.S.C. 632(e)) is amended by “and” at the end of paragraph (8), by striking out the period and by inserting “; and” at the end of paragraph (9), and by inserting at the end thereof the following new paragraph:

“(10) an analysis, prepared after consultation with the Director of the Congressional Budget Office, of the concurrent resolution's impact on the international competitiveness of United States business and the United States balance of payments position and shall include the following projections, based upon the best information available at the time, for the fiscal year covered by the concurrent resolution—

“(A) the amount of borrowing by the Government in private credit markets;

“(B) net domestic savings (defined as personal savings, corporate savings, and the fiscal surplus of State and local governments);

“(C) net private domestic investment;

“(D) the merchandise trade and current accounts;

“(E) the net increase or decrease in foreign indebtedness (defined as net foreign investment); and

“(F) the estimated direction and extent of the influence of the Government's borrowing in private credit markets on United States dollar interest rates and on the real effective exchange rate of the United States dollar.”.

SEC. 1503. EFFECTIVE DATE.

The amendment made by section 1401 shall be effective for fiscal years 1989, 1990, 1991, and 1992, and shall be fully reflected in the budgets submitted by the President as required by section 1105(a) of title 31, United States Code, for each such fiscal year, and the amendment made by section 1402 shall be effective for fiscal years 1989, 1990, 1991, and 1992.

14. *An amendment in the nature of substitute, to be offered by Representative Michel of Illinois or his designee, debatable for not to exceed 60 minutes and consisting of the text of H.R. 2150 as modified by the following amendment*

Page 18, line 13, strike out "or any Committee of the Congress," and insert "any Committee of the Congress, or the Comptroller General,".

Page 18, line 15, strike out "paragraph (2)" and insert "this subsection".

Page 18, line 16, strike out "provisions of law, including" and insert "provisions of Federal statutes and"

Page 18, line 17, strike out "or" and insert "and".

Page 230, lines 6 and 7, strike out "subsection (b) is amended by striking out 'threefold' " and inserting in lieu thereof "recovery shall be limited to the actual damages sustained and the cost of the suit, including a reasonable attorney's fee".

Page 336, after line 24, insert the following:

SEC. 320. FOOD AID AND MARKET DEVELOPMENT.

(a) **POLICY STATEMENT.**—It is the policy of the United States to use food aid and agriculturally-related foreign economic assistance programs more effectively to develop markets for United States agricultural commodities and products.

(b) **REQUIREMENTS.**—The President (or, as appropriate, the Secretary of Agriculture) shall encourage the recipient country under food assistance agreements entered into under any program administered by the Secretary to agree to give preference to United States food and food products in its future food purchases.

Redesignate succeeding sections accordingly.

Page 340, line 15, insert ", including exports by small businesses" after "country".

Page 592, strike out line 1 and all that follows through line 21.

Page 626, line 16, insert ", acting" after "Representative".

Page 665, line 20, insert "and the Secretary of the Treasury" before the comma, and in line 8 on page 666, strike out "shall" and insert in lieu thereof "and the Secretary of the Treasury shall each".

Page 745, strike out lines 19 through 21 and insert in lieu thereof the following: "submit to the Congress".

Page 747, beginning on line 14, strike out "The Secretary" and all that follows through "year." on line 17, and insert in lieu thereof the following:

In addition to the annual report on offsets and counter-trade required to be submitted to the Congress by the

President under section 309 of the Defense Production Act of 1950, the Secretary shall make an annual public report to the Congress by the time provided in such section 309 for reports under such section.

Page 750, line 20, strike out "PRACTICES".

Page 750, insert after line 20 the following:

"Subtitle A—Ocean Transportation Practices"

Beginning in line 22 on page 750 through line 22 on page 758, strike out "title" each place it appears and insert in lieu thereof "subtitle".

Page 751, line 16, strike out the period and insert in lieu thereof a semicolon.

Page 751, line 24, strike "that affect" and insert "directly affect the ability of operators to engage in".

Page 752, line 9, after "transported" insert "by common carrier".

Page 758, line 16, strike out "(B)" and insert in lieu thereof "(b)".

Page 758, insert the following after line 22:

Subtitle B—Mobile Trade Fairs

SEC. 1110. MOBILE TRADE FAIRS REAUTHORIZATION.

Section 212(B) of the Merchant Marine Act, 1936 (46 U.S.C. App. 1122b) is amended—

(1) by striking out "Secretary of Commerce" each place it appears and inserting in lieu thereof "Secretary of Transportation", and

(2) in the first sentence of subsection (c), by striking out all after "beginning" and inserting in lieu thereof "October 1, 1987.".